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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
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COMMISSIONERS

MIKE GLEASON, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF  
NORTHERN SUNRISE WATER COMPANY  
FOR A CERTIFICATE OF CONVENIENCE  
AND NECESSITY TO PROVIDE WATER  
SERVICE IN COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20453A-06-0247

IN THE MATTER OF THE APPLICATION OF  
SOUTHERN SUNRISE WATER COMPANY  
FOR A CERTIFICATE OF CONVENIENCE  
AND NECESSITY TO PROVIDE WATER  
SERVICE IN COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20454A-06-0248

IN THE MATTER OF THE JOINT  
APPLICATION OF NORTHERN SUNRISE  
WATER COMPANY AND SOUTHERN  
SUNRISE WATER COMPANY FOR THE  
APPROVAL OF SALE AND TRANSFER OF  
WATER UTILITY ASSETS, AND  
CANCELLATION OF CERTIFICATES OF  
CONVENIENCE AND NECESSITY, FOR  
MIRACLE VALLEY WATER COMPANY,  
COCHISE WATER COMPANY, HORSESHOE  
RANCH WATER COMPANY, CRYSTAL  
WATER COMPANY, MUSTANG WATER  
COMPANY, CORONADO ESTATES WATER  
COMPANY, AND SIERRA SUNSET WATER  
COMPANY, LOCATED IN COCHISE  
COUNTY, ARIZONA.

DOCKET NO. W-20453A-06-0251  
W-20454A-06-0251  
W-01646A-06-0251  
W-01868A-06-0251  
W-02235A-06-0251  
W-02316A-06-0251  
W-02230A-06-0251  
W-01629A-06-0251  
W-02240A-06-0251

**STAFF'S RESPONSE TO  
COMMISSIONER MAYES' LETTER TO  
THE DOCKET**

On November 7, 2008, Commissioner Kristin K. Mayes of the Arizona Corporation Commission ("Commission") issued a letter to the docket in the matters captioned above. The letter directed the parties to these matters, including Commission Utilities Division Staff ("Staff"), to provide certain information for the Commission's consideration. Staff hereby provides its response to that letter.

Arizona Corporation Commission

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1 Commissioner Mayes requested that the parties provide the Commission with a well impact  
2 analysis addressing the potential impacts of the proposed expansion by Northern Sunrise Water  
3 Company ("Northern") and Southern Sunrise Water Company ("Southern") (collectively the  
4 "Companies") of the areas currently contained within their respective Certificates of Convenience  
5 and Necessity ("CC&N"). Commissioner Mayes expressed concern regarding the effect of the  
6 Babocomari 600 gallon-per-minute well on the neighboring private wells.

7 As the Companies have stated in their November 28, 2008 response, the well impact study  
8 would require the services of a hydrologist and the drilling of a number of test wells. The process is  
9 both lengthy and expensive. Staff does not employ a hydrologist and does not otherwise have the  
10 resources needed to conduct the study.

11 However, the well impact of the Companies' proposed CC&N extension in this case, based  
12 upon Staff's recommendations, should be minimal. The reason for this is that the Companies'  
13 previous owner began serving customers outside of his certificated service area. The instant  
14 applications are primarily intended to cover those areas serving any previously-unauthorized  
15 customers. Those parcels that are not currently being served are individual parcels and are not  
16 developments or subdivisions.

17 The CC&N for the Babocomari development has already been approved by the Commission  
18 and is not part of the current expansion request. Once this development actually begins to connect  
19 and serve customers, the Companies will be obligated, due to having the CC&N, to drill a new well  
20 to serve these customers.

21 Although Commissioner Mayes requested that the parties identify any remedial measures that  
22 could address the potential effects of significant commercial well use, there is no legal requirement  
23 that the Companies remedy such results.

24 Similarly, Commissioner Mayes requested that the parties address the potential environmental  
25 impacts of the instant application upon the San Pedro River riparian system, as well the impact of  
26 commercial well use on the Babocomari River. Staff is aware that the Arizona Department of Water  
27 Resources ("ADWR") has been studying water issues in the San Pedro River area for many years.  
28 Staff is unaware whether any conclusions have yet been reached. What is certain is that Staff does

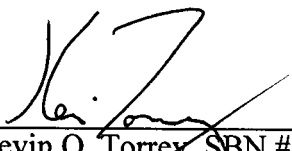
1 not have the resources to address this issue at this time. However, as stated before, Staff believes if  
2 the Commission adopts Staff's recommendations in this matter, any effects from this particular  
3 CC&N expansion should be minimal.

4 Commissioner Mayes further expressed a desire that the Commission have the fullest possible  
5 record in reaching a decision in the instant applications. To that end, she requested that the parties  
6 address the need for documentation from ADWR identifying adequate water supplies for a CC&N  
7 area. As Staff previously noted, Staff does not have the resources necessary to conduct the study  
8 required to address this issue. However, since the instant applications deal primarily with areas  
9 already being served, such a recommendation might better serve the Commission in a future  
10 extension request.

11 Certainly Commissioner Mayes recognized the need for ADWR participation in these matters,  
12 regardless of any response any of the parties may provide on these topics. To that end, she requested  
13 that Staff contact ADWR and request the participation of a witness who could address each of the  
14 above issues. Staff has contacted ADWR and has been advised that, while the specific witness to be  
15 provided will depend upon when and where the hearing is scheduled, ADWR will attempt to provide  
16 an appropriate witness.

17 Staff remains available to provide any additional assistance requested.

18 RESPECTUFLY SUBMITTED this 11<sup>th</sup> day of December, 2008.

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21   
22 Kevin O. Torrey, SBN #022300  
23 Attorney, Legal Division  
24 Arizona Corporation Commission  
25 1200 W. Washington St.  
26 Phoenix, AZ 85007  
27 (602) 542-6031  
28

1 Original and seventeen (17) copies  
2 of the foregoing were filed this  
3 11<sup>th</sup> day of December, 2008 with:

4 Docket Control  
5 Arizona Corporation Commission  
6 1200 West Washington Street  
7 Phoenix, Arizona 85008

8 Copy of the foregoing mailed this  
9 11<sup>th</sup> day of December, 2008 to:

10 Jay Shapio, Esq.  
11 Patrick Black, Esq.  
12 FENNEMORE CRAIG, PC  
13 3003 North Central Avenue  
14 Suite 2600  
15 Phoenix, Arizona 85012

16 Steven Cockrum  
17 5328 Corral Drive  
18 Hereford, Arizona 85635

19 Ms. Sharron L. Arcand  
20 Mr. Raymond E. Baltrus  
21 5906 S. Kino Road  
22 Hereford, Arizona 85615-8901

23 Ms. Charlotte L. Borghardt  
24 Mr. Paul Goetz  
25 P.O. Box 1126  
26 Sierra Vista, Arizona 85636

27 Mr. David Lease  
28 Mrs. Jennifer Lease  
6356 S. Kino Road  
Hereford, Arizona 85615

Jeffrey & Marlene McDaniel  
7023 S. Calle De La Mango  
Hereford, Arizona 85615

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